Appendix F
Policy for Reporting Construction Work-In-Progress and Capitalization of NESDIS Satellites, Their Component Sensors and Related Assets

Summary

This appendix outlines the CWIP policy as it applies to NESDIS CWIP activities, specifically those related to satellites, their component sensors, and related assets. The appendix is organized as follows:

I. CWIP Activity Determination and Set-Up
II. Transferring CWIP Activities within NESDIS
III. Capitalization framework
IV. Useful life
V. Salvage Value
VI. Closing a CWIP Activity
VII. Glossary of Terms

I. CWIP Activity Determination and Set-Up

Per Section 2.2 of the NOAA CWIP policy, if there is the slightest possibility that a project should be classified as CWIP, it is the responsibility of the CWIP Project Manager to generate a CWIP Determination Letter (from the CWIP Project Manager and the CWIP Activity Manager that will be assigned to the project). The CWIP Project Manager or the CWIP Activity Manager forwards the completed Determination Letter to the Financial Accountability Branch (FAB) CWIP Program Manager. The FAB CWIP Program Manager reviews the completed Determination Letter and forwards it to either the NOAA Personal Property Management Branch (PPMB) or the Real Property Management Division (RPMD) as applicable, for their concurrence, signature and date. PPMB/RPMD returns the signed and dated Determination Letter to the FAB CWIP Program Manager. The FAB CWIP Program Manager sends the completely signed letter back to the CWIP Project Manager and the CWIP Activity Manager along with two forms: 1) Add/Modify a CWIP Activity Form (NOAA CWIP Database form), and 2) the CBS Project Code Request Form for the CWIP Activity Manager to complete and return.

Upon receipt of the completed forms, the FAB CWIP Program Manager reviews the information provided on both forms and checks for possible discrepancies. If acceptable, the forms are provided to the NESDIS Budget Execution Branch (BEB) staff for their review for accuracy and to establish the project codes in the Commerce Business System (CBS). BEB signs and dates the Add/Modify form and returns it to the FAB CWIP Program Manager along with screen prints of the project code data entries in CBS. The FAB CWIP Program Manager reviews the screen prints to identify possible data entry errors. Upon acceptance, the FAB CWIP Program Manager scans together all three documents 1) the completely signed and dated Determination Letter, 2) the signed and dated Add/Modify a CWIP Activity form, and 3) the CBS Project Code Request Forms as one .pdf document and sends the file to NOAA Finance Office (and a cc: to the CWIP Project and Activity Managers) with a request to approve and activate the newly established

CWIP project codes and to add the new CWIP activity to the NOAA CWIP Activity database. A confirmation is also requested.

NOAA Finance Office – Financial Statements Branch (FO-FSB) staff approves and activates the CWIP/IUSD project codes in CBS and adds the activity to the NOAA CWIP Activity database. An activity number is assigned to the activity, and FO-FSB provides that number to the FAB CWIP Program Manager, along with the confirmation that project codes are activated and ready for use. The FAB CWIP Program Manager provides the confirmation and the .pdf file to the CWIP Project and Activity Managers. The NOAA Finance Office adds the activity to the SARB (Satellite Accounting Review Board) schedule and provides the CWIP Activity Manager with the date that the new activity will be reviewed, and in turn the CWIP Activity and Project Managers are notified so that they can prepare a SARB Slide Deck for briefing.

II. Transferring CWIP Activities within NESDIS

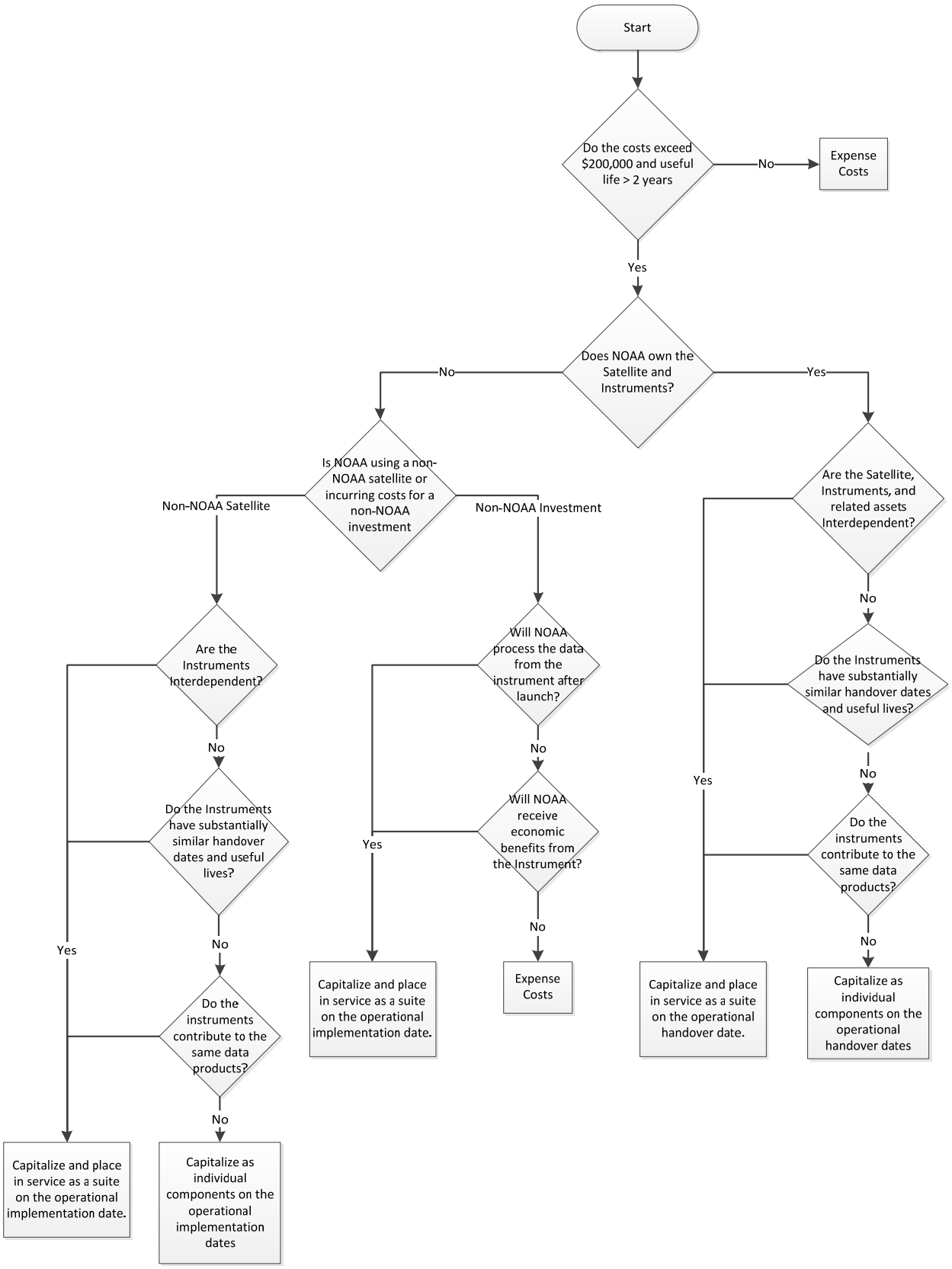
If the management and control of a CWIP activity is transferred between program offices within NESDIS, it is the responsibility of the current CWIP Activity Manager to forward copies of their documentation file to the gaining Activity Manager for review. Discrepancies or missing documentation needs to be resolved by the current Activity Manager before the gaining Activity Manager accepts the role. If the documentation cannot be physically relocated to the new Activity Manager, the two managers (current and gaining) agree upon a solution to where the gaining Activity Manager has access to the documentation, and is provided with all future documentation as noted in the Section 5.10 of the NOAA CWIP Policy.

Once the gaining Activity Manager has accepted the role, the Financial Accountability Branch (FAB) CWIP Program Manager is notified either by email or by completing the Add/Modify a CWIP Activity Form providing the activity information section and then only the information that has changed. FAB CWIP Program Manager notifies NOAA Finance Office to make changes to their CWIP activity database accordingly.

III. Capitalization Framework

The following capitalization framework provides guidance for CWIP activities that are developing satellite assets and related CWIP activities. Accounting for satellites is highly complex, development may span many years, and involves significant contracts and arrangements with contractors and other Government agencies. As such, each satellite development effort (CWIP activity) should be evaluated based on the activity's specific facts and circumstances. The FMC will work in conjunction with NESDIS HQ and NOAA Finance to document and analyze the factors leading to whether the CWIP activity should be capitalized. The factors include Costs Incurred, Ownership, and Suite vs. Component.

The following decision tree is a basic analysis to assist in the capitalization process; situations may arise in the future that require additional factors to be considered in order to arrive at the appropriate accounting treatment. As situations occur and activities evolve the framework in this appendix may be updated.


Start
Do the costs exceed $200,000 and useful life > 2 years
No
Expense Costs
Yes
Does NOAA own the Satellite and Instruments?
No
Yes
Is NOAA using a non-NOAA satellite or incurring costs for a non-NOAA investment
Non-NOAA Satellite
Non-NOAA Investment
Are the Satellite, Instruments, and related assets Interdependent?
Are the Instruments Interdependent?
Will NOAA process the data from the instrument after launch?
No
Do the Instruments have substantially similar handover dates and useful lives?
Do the Instruments have substantially similar handover dates and useful lives?
Will NOAA receive economic benefits from the Instrument?
Yes
Do the instruments contribute to the same data products?
Do the instruments contribute to the same data products?
Yes
Capitalize and place in service as a suite on the operational implementation date.
Capitalize as individual components on the operational implementation dates
Capitalize and place in service as a suite on the operational implementation date.
Expense Costs
Capitalize and place in service as a suite on the operational handover date.
Capitalize as individual components on the operational handover dates

IV. Useful Life

The FMC, in coordination with NESDIS HQ, NOAA Finance, and NOAA Personal Property Management Branch, will determine and document the useful life of a satellite asset considering the following criteria:

- Intended period of use (expected period of benefit)
- Expected funding for future operations
- Mission life
- Design life
- Historical performance of similar assets
- Other factors as necessary

V. Salvage Value

Salvage value is defined as the estimated value that an asset will realize upon its sale at the end of its useful life. As the majority of the NESDIS satellites and instruments are launched into space orbit (and not retrieved from space orbit), there will be no resale or salvage value at the end of their useful life while in space. In order to properly set the salvage value in Sunflower, NOAA's Personal Property system, NESIDS has received a waiver from the Department of Commerce (DOC) allowing NESDIS to set the salvage value to zero for a launched satellite or instrument.

Satellites or instruments that are used as prototypes or backups may have a salvage value set to the resale of the scrap metals and parts as long as they are not put into orbit. The scrap values should be taken from a reliable source.

As satellites and instruments are manufactured and launched, the Property Custodian should review all capitalized assets for reasonable salvage values on an annual basis.

VI. Closing a CWIP Activity

A CWIP activity can be closed when undelivered orders equal $0, unpaid costs equal $0, no further costs are expected, and there are no uncapitalized costs.

A request to close the activity should be sent to the FAB CWIP Program Manager and should be accompanied by a CA500D report showing $0 undelivered orders, $0 unpaid costs, $0 uncapitalized costs. In addition, the request should include a statement that no further costs are expected.

The FAB CWIP Program Manager will notify FO-FSB via email so that the CWIP activity can be designated "completed" in the CWIP Activity Database, thereby removing the CWIP activity from the database reports.

VII. Glossary of Terms

- **Economic benefit**: Assets that provide financial or informational benefit to NOAA or NOAA's primary users.
- **Instrument**: Technology used to collect data for missions
- **Interdependent**: Assets that operate in conjunction with each other, or where primary users require data from multiple instruments on the Satellite to satisfy their intended use.
- **Launch Vehicle**: A rocket used to carry a payload from Earth's surface into outer space, and towards the required orbit for intended use of the payload assets.
- **Non-NOAA Investment**: NOAA incurs costs to support another entities asset in providing necessary data to NOAA. The types of costs NOAA could incur include refurbishment costs, accommodation costs, etc.
- **Non-NOAA satellite**: Satellite owned by another entity that has NOAA owned instruments attached.
- **Satellite**: A vehicle, vessel, or machine designed to fly in outer space that houses and transports assets/instruments to the mission specified orbit and collects mission data at the mission required orbit.